

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hamlin Township	County MASON
Fiscal Year End 3/31/07	Opinion Date 7/10/07	Date Audit Report Submitted to State 7/30/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

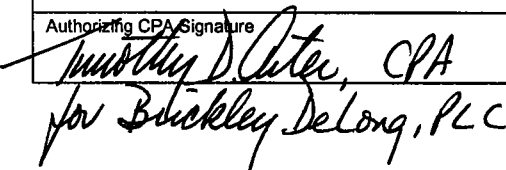
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BRICKLEY DELONG PLC		Telephone Number (231) 726 5800	
Street Address 316 MORRIS AVENUE		City MUSKEGON	State MI
		Zip 49443	
Authorizing CPA Signature 		Printed Name TIMOTHY D. ARTER	License Number 10253

Hamlin Township  
Mason County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2007

Hamlin Township  
**LIST OF ELECTED OFFICIALS**  
March 31, 2007

**ELECTED OFFICIALS**

Supervisor.....Nancy Sniegowski

Clerk.....Cathy Lewis

Treasurer.....Mary McCarthy

Trustees .....Johnaine Gurzynski  
Brian Vandervest

Hamlin Township

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As management of Hamlin Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Hamlin Township for the fiscal year ended March 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

- The General Fund fund balance increased \$120,843, while the Fire Fund fund balance increased by \$15,932.
- The Township spent \$39,943 on improving roads within in the township during the year, this is less than the \$67,877 spent in the prior year. The amount spent on road improvements was abnormally high in the prior year due to extensive work on rebuilding Beaune road.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Hamlin Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include general government, public safety, public works, health and sanitation, culture and recreation, and community and economic development.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Debt Service Fund, which are considered major funds. Data from the Budget Stabilization Fund is presented as an other governmental fund.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and the Fire Fund.

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net assets for Hamlin Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2007, the Township's net assets from governmental activities totaled \$1,647,182.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$1,083,256. This represents the amount of discretionary resources that can be used for general governmental operations.

**Net Assets**

	Governmental Activities 2007	Governmental Activities 2006
Current assets and other assets	\$ 1,235,351	\$ 1,088,130
Capital assets	929,733	972,408
Total assets	2,165,084	2,060,538
Current liabilities	37,835	26,387
Noncurrent liabilities	480,067	505,635
Total liabilities	517,902	532,022
Net assets		
Invested in capital assets, net of related debt	423,119	440,386
Restricted	140,807	140,807
Unrestricted	1,083,256	947,323
Total net assets	\$ 1,647,182	\$ 1,528,516

The increase in current assets was primarily attributable to the increase in cash, which was a result of the Township not spending all the revenue received in the current year. Capital assets decreased primarily due to current year depreciation expense. Noncurrent liabilities decreased due to the Township making its regular debt payments.

**Governmental Activities**

Governmental activities increased by \$118,666 during the 2007 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

**Change in Net Assets**

	Governmental Activities 2007	Governmental Activities 2006
Revenues:		
Program revenues		
Charges for services	\$ 87,932	\$ 86,810
Capital grants and contributions	-	8,950
General revenues		
Property taxes	247,770	266,726
Franchise fees	4,224	4,206
Grants and contributions not restricted	223,222	224,968
Unrestricted investment earning	48,581	25,273
Miscellaneous	9,734	19,937
Total revenues	621,463	636,870
Expenses:		
General government	248,432	227,790
Public safety	85,497	97,157
Public works	42,048	69,820
Health and sanitation	42,367	23,734
Culture and recreation	21,717	9,793
Community and economic development	33,823	25,627
Interest on long-term debt	28,913	30,382
Total expenses	502,797	484,303
Change in net assets	118,666	152,567
Net assets - Beginning	1,528,516	1,375,949
Net assets - Ending	\$ 1,647,182	\$ 1,528,516

When comparing the 2007 fiscal year to the 2006 fiscal year revenue and expenditures of governmental activities were fairly consistent for most categories. In 2006 the Township received voting equipment from the State of Michigan worth \$8,950; no such equipment was received in 2007. Property tax revenue was down due to the Township decreasing the levy on the Fire Station Bond/Interest Redemption Fund. Investment earnings also increased significantly due to larger amounts of cash on investments and higher market rates.

Culture and recreation expenses were greater in the current year due to the Township's participation in the City of Ludington's Recreational Program, which allows all township youth to participate in the program's activities.



### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Hamlin Township. At the end of the fiscal year 2007, the unreserved General Fund fund balance was \$950,746 and the total General Fund fund balance was \$954,818, an increase of 15% over the prior year.

The Fire Fund accounts for the activities of the Township's fire department. The fire department provides services to the residents of Hamlin Township and several surrounding townships as part of the Western Mason County Fire District Authority, Inc. The fund balance at the end of the 2007 fiscal year was \$90,680, an increase of 21% over the prior year.

The Debt Service Fund is used to account for debt payments on the new fire station. It is supported by property taxes.

At the end of the 2007 fiscal year, Hamlin Township's governmental funds reported a combined unreserved fund balance of \$1,080,026. This number represents the unreserved fund balance of \$950,746 in the General Fund, \$90,680 in the Fire Fund and \$38,600 in the Budget Stabilization Fund. It is necessary to further distinguish the total fund balance of \$1,224,063 between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. Of the total reserved fund balance, \$4,072 is reserved for prepaid items and \$139,965 is reserved for debt service payments.

### General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those are listed below:

- The budget for charges for services was increased by \$16,050. The Township amended this line item for expected increases in administrative fees related to property tax collection and for fees charged for permits and land divisions.
- The investment earnings budget was increased from \$14,000 to \$35,800 due to the Township's realization of better interest rates as the year progressed.
- The budget for legislative expenditures was decreased due to the Township's allocating legal fees expenditure to other budget line items.

- The road work budget was also increased. This was due to the Township planning more road projects during the year. These projects did not materialize, thus the road work expenditures ended under the budgeted amount.
- The budget for operations at the transfer facility was increased due to the Township having a clean up day.
- Culture and recreation budgeted expenditures was increased due to the Township's participation in the City of Ludington's Recreational Program, which allows all township youth to participate in the program's activities

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Intergovernmental revenue was higher than budgeted because more state revenue sharing was received than expected.
- Legislative expenditures were lower than expected largely due to legal fees being less than budgeted.

### **Capital Assets Administration**

Hamlin Township's investment in capital assets for its governmental activities as of March 31, 2007 totaled \$929,733 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles. The Township's only asset addition during the year was the purchase and installation of a network within the Township hall for \$2,501.

#### **Capital Assets (Net of Accumulated Depreciation)**

	Governmental Activities 2007	Governmental Activities 2006
Land	\$ 142,018	\$ 142,018
Buildings and improvements	731,542	759,702
Furniture and equipment	52,298	66,038
Vehicles	3,875	4,650
Total	<u>\$ 929,733</u>	<u>\$ 972,408</u>

Additional information on the Township's capital assets can be found in the notes to the financial statements.

**Long-Term Debt**

At the end of the 2007 fiscal year, the Township had total outstanding debt of \$506,614 consisting of general obligations bonds, capital leases, and compensated absences. The general obligation debt of \$500,000 in governmental funds is backed by the full-faith and credit of the Township.

**Outstanding Debt**

	Governmental Activities 2007	Governmental Activities 2006
General obligation bonds	\$ 500,000	\$ 525,000
Capital leases	1,684	3,071
Compensated absences	4,930	3,951
Total	<u>\$ 506,614</u>	<u>\$ 532,022</u>

The Township's total debt decreased by \$25,408 during the fiscal year. This reduction was due to normal required debt payment of \$26,387 offset by an increase in accumulated compensated absences of \$979.

Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**General Economic Overview**

Hamlin Township's General Fund is comprised of two major revenue sources: state revenue sharing and property tax revenue. Those two sources comprise approximately 70% of the General Fund's revenue sources. In fiscal year 2007, state revenue sharing is expected to remain flat. Property tax revenues will probably increase slightly due to an increase in taxable value and expected increased development within the Township. Expenditures are expected to remain consistent with 2007.

The employment situation for Mason County and the surrounding area is a cause for concern and for conservativeness with the Township spending. However, Hamlin Township is optimistic for future economic growth development including several new subdivisions located in the Township.

**Requests for Information**

This financial report is designed to provide a general overview of the Hamlin Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Hamlin Township, 3775 N. Jebavy Drive, Ludington, Michigan, 49431, (231) 845-7801.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

July 10, 2007

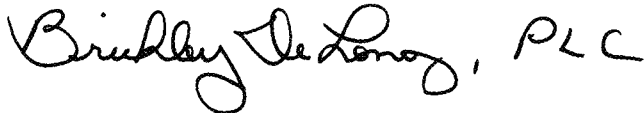
Township Board  
Hamlin Township  
Ludington, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township as of and for the year ended March 31, 2007, which collectively comprise Hamlin Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamlin Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 19 - 20 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Hamlin Township  
**STATEMENT OF NET ASSETS**  
 March 31, 2007

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and investments	\$ 1,171,972
Taxes receivable	23,657
Due from other governmental units	35,651
Prepaid items	<u>4,071</u>
Total current assets	1,235,351
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	142,018
Depreciable	<u>787,715</u>
Total noncurrent assets	<u>929,733</u>
Total assets	2,165,084
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	11,288
Bonds and other obligations, due within one year	<u>26,547</u>
Total current liabilities	37,835
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>480,067</u>
Total liabilities	<u>517,902</u>
NET ASSETS	
Invested in capital assets, net of related debt	423,119
Restricted for debt service	140,807
Unrestricted	<u>1,083,256</u>
Total net assets	<u>\$ 1,647,182</u>

The accompanying notes are an integral part of this statement.

Hamlin Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2007

		Program Revenue	Net (Expense) Revenue and Changes
		Charges for	in Net Assets
<i><b>Functions/Programs</b></i>	Expenses	services	Governmental activities
Governmental activities			
General government	\$ 248,432	\$ 65,089	\$ (183,343)
Public safety	85,497	-	(85,497)
Public works	42,048	22,843	(19,205)
Health and sanitation	42,367	-	(42,367)
Community and economic development	33,823	-	(33,823)
Culture and recreation	21,717	-	(21,717)
Interest on long-term debt	28,913	-	(28,913)
Total governmental activities	<u>\$ 502,797</u>	<u>\$ 87,932</u>	(414,865)
General revenues			
Property taxes, levied for			
General purposes			123,438
Specific purposes			124,332
Franchise fees			4,224
Grants and contributions not restricted to specific programs			223,222
Unrestricted investment earnings			48,581
Miscellaneous			9,734
Total general revenues			<u>533,531</u>
Change in net assets			118,666
Net assets at April 1, 2006			<u>1,528,516</u>
Net assets at March 31, 2007			<u>\$ 1,647,182</u>

The accompanying notes are an integral part of this statement.

Hamlin Township  
**BALANCE SHEET**  
Governmental Funds  
March 31, 2007

	General Fund	Fire Fund	Debt Service	Other governmental fund	Total governmental funds
<b>ASSETS</b>					
Cash and investments	\$ 912,572	\$ 85,772	\$ 135,027	\$ 38,600	\$ 1,171,971
Taxes receivable	11,808	6,911	4,938	-	23,657
Due from other governmental units	35,651	-	-	-	35,651
Prepaid items	4,072	-	-	-	4,072
Total assets	<u>\$ 964,103</u>	<u>\$ 92,683</u>	<u>\$ 139,965</u>	<u>\$ 38,600</u>	<u>\$ 1,235,351</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 9,285	\$ 2,003	\$ -	\$ -	\$ 11,288
Fund balances					
Reserved for:					
Debt service	-	-	139,965	-	139,965
Prepaid items	4,072	-	-	-	4,072
Unreserved					
General Fund	950,746	-	-	-	950,746
Special revenue funds	-	90,680	-	38,600	129,280
Total fund balances	<u>954,818</u>	<u>90,680</u>	<u>139,965</u>	<u>38,600</u>	<u>1,224,063</u>
Total liabilities and fund balances	<u>\$ 964,103</u>	<u>\$ 92,683</u>	<u>\$ 139,965</u>	<u>\$ 38,600</u>	<u>\$ 1,235,351</u>

The accompanying notes are an integral part of this statement.

Hamlin Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS**  
 March 31, 2007

Total fund balance—governmental funds		\$ 1,224,063
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 1,444,959	
Accumulated depreciation	<u>(515,226)</u>	929,733

Long-term liabilities in governmental activities are not due and payable in the current  
period and are not reported in the governmental funds.

Bonds and capital lease payable	(501,684)	
Compensated absences	<u>(4,930)</u>	<u>(506,614)</u>

Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>1,647,182</u></u>
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The accompanying notes are an integral part of this statement.



Hamlin Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended March 31, 2007

	General Fund	Fire Fund	Debt Service	Other governmental fund	Total governmental funds
REVENUES					
Property taxes	\$ 123,438	\$ 75,079	\$ 49,252	\$ -	\$ 247,769
Licenses and permits	2,880	-	-	-	2,880
Intergovernmental revenues - State	223,222	-	-	-	223,222
Charges for services	95,001	-	-	-	95,001
Fines and forfeitures	772	-	-	-	772
Investment earnings	40,808	1,277	3,802	1,922	47,809
Other	1,800	5,039	23	-	6,862
Total revenues	487,921	81,395	53,077	1,922	624,315
EXPENDITURES					
Current					
General government	227,130	-	-	-	227,130
Public safety	-	65,463	-	-	65,463
Public works	42,048	-	-	-	42,048
Health and sanitation	42,367	-	-	-	42,367
Community and economic development	33,823	-	-	-	33,823
Culture and recreation	19,475	-	-	-	19,475
Debt service					
Principal	1,387	-	25,000	-	26,387
Interest and fees	269	-	28,919	-	29,188
Capital outlay	2,501	-	-	-	2,501
Total expenditures	369,000	65,463	53,919	-	488,382
Excess of revenues over (under) expenditures	118,921	15,932	(842)	1,922	135,933
OTHER FINANCING SOURCES (USES)					
Transfers in	1,922	-	-	-	1,922
Transfers out	-	-	-	(1,922)	(1,922)
Total other financing sources (uses)	1,922	-	-	(1,922)	-
Net change in fund balances	120,843	15,932	(842)	-	135,933
Fund balances at April 1, 2006	833,975	74,748	140,807	38,600	1,088,130
Fund balances at March 31, 2007	\$ 954,818	\$ 90,680	\$ 139,965	\$ 38,600	\$ 1,224,063

The accompanying notes are an integral part of this statement.

Hamlin Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
 For the year ended March 31, 2007

Net change in fund balances—total governmental funds	\$	135,933
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (45,176)	
Capital outlay	<u>2,501</u>	(42,675)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

26,387

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.

(979)

Change in net assets of governmental activities

\$ 118,666

The accompanying notes are an integral part of this statement.

Hamlin Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
March 31, 2007

	<u>Tax Account</u>	<u>Trust and Agency</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ <u>          -</u>	\$ <u>        4,589</u>	\$ <u>        4,589</u>
<b>LIABILITIES</b>			
Due to other governmental units	\$ <u>          -</u>	\$ <u>        4,589</u>	\$ <u>        4,589</u>

The accompanying notes are an integral part of this statement.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Hamlin Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a common law township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations meet these criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for the Township's fire department operations.

The Debt Service Fund is used for the repayment of debt.

The Township only has one other governmental fund, the Budget Stabilization Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Deposits and Investments—Continued**

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the county for collection. The county advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Township totaled approximately \$160,549,000. The ad valorem taxes levied consisted of .7380 mills for the Township's operating purposes, .4614 mills for fire operating purposes and .3 mills for debt service. These amounts are recognized in the respective General Fund, Fire Fund and Debt Service Fund.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Capital Assets—Continued**

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Furniture and equipment	5-10
Vehicles	7-20

**Compensated Absences**

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Township. Accumulated vacation time does not generally carry over beyond the calendar year in which it is earned. Sick leave accrues to full-time permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance. The liability for these compensated absences is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$1,001,006 of the Township's bank balance of \$1,201,006 was exposed to custodial credit risk because it was uninsured and uncollateralized.



Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 142,018	\$ -	\$ -	\$ 142,018
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	1,027,093	-	-	1,027,093
Furniture and equipment	158,847	2,501	-	161,348
Vehicles	114,500	-	-	114,500
Total capital assets, being depreciated	1,300,440	2,501	-	1,302,941
<b>Less accumulated depreciation:</b>				
Buildings and improvements	267,391	28,160	-	295,551
Furniture and equipment	92,809	16,241	-	109,050
Vehicles	109,850	775	-	110,625
Total accumulated depreciation	470,050	45,176	-	515,226
Total capital assets, being depreciated, net	830,390	(42,675)	-	787,715
Capital assets, net	\$ 972,408	\$ (42,675)	\$ -	\$ 929,733

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE D—CAPITAL ASSETS—Continued**

**Depreciation**

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 22,611
Public safety	20,323
Culture and recreation	<u>2,242</u>
	<u>\$ 45,176</u>

**NOTE E—INTERFUND TRANSFERS**

**Interfund transfers:**

The Budget Stabilization Fund transferred \$1,922 to the General Fund for interest revenue earned on certificates of deposit.

**NOTE F—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2007.

	Balance April 1, 2006	Additions	Reductions	Balance March 31, 2007	Due within one year
<b>Governmental activities:</b>					
General obligation bonds	\$ 525,000	\$ -	\$ 25,000	\$ 500,000	\$ 25,000
Capital lease payable	3,071		1,387	1,684	1,547
Compensated absences	<u>3,951</u>	<u>979</u>	<u>-</u>	<u>4,930</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 532,022</u>	<u>\$ 979</u>	<u>\$ 26,387</u>	<u>\$ 506,614</u>	<u>\$ 26,547</u>

**Governmental activities:**

**General obligation bonds:**

\$550,000 Limited Tax General Obligation

Bonds of 2000 payable in annual installments  
of \$25,000 to \$55,000 through March 2020;  
interest at 5.3%

\$ 500,000

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE F—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Governmental activities:—Continued**

**Capital lease**

10.98% Capital lease payable due in monthly  
installments of \$138 including interest; final  
payment due April 2008

\$ 1,684  
501,684

Compensated absences

4,930  
\$ 506,614

The general obligation bonds are backed by the full faith and credit of the Township.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2007 follows:

Year ending March 31,	Governmental activities	
	Principal	Interest
2008	\$ 26,547	\$ 27,429
2009	30,137	25,995
2010	30,000	24,406
2011	30,000	22,816
2012	35,000	21,226
2013-2017	200,000	78,410
2018-2020	<u>150,000</u>	<u>17,280</u>
	<u>\$ 501,684</u>	<u>\$ 217,562</u>

**NOTE G—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE G—OTHER INFORMATION—Continued**

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Mason County Rural Fire Authority purchased two fire trucks funded by loans. The Township has pledged its full faith and credit for its portion of the debt should the Authority not be able to make the debt payments. The Township's portion of the debt as of March 31, 2007 was \$84,287. The Township is unaware of any circumstances that would cause a default in the near future.

**Commitments**

The Township has several contract agreements for road projects at March 31, 2007 for approximately \$46,750.

**NOTE H—PENSION PLAN**

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2007, pension expense was approximately \$11,000. Employees did not contribute to the Plan.

**NOTE I—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 44 percent of General Fund revenues.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Hamlin Township**  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 121,300	\$ 125,000	\$ 123,438	\$ (1,562)
Licenses and permits	2,500	2,640	2,880	240
Intergovernmental revenues - State	200,000	206,200	223,222	17,022
Charges for services	78,400	94,450	95,001	551
Fines and forfeitures	50	850	772	(78)
Investment earnings	14,000	35,800	40,808	5,008
Other	1,005	1,545	1,800	255
Total revenues	417,255	466,485	487,921	21,436
EXPENDITURES				
Current				
General government				
Legislative	52,100	40,140	24,888	15,252
Supervisor	20,000	21,900	21,869	31
Elections	10,000	10,000	7,616	2,384
Board of review	1,500	1,610	1,621	(11)
Clerk	28,500	28,500	26,109	2,391
Treasurer	30,000	30,000	29,932	68
Assessor	51,000	53,700	55,464	(1,764)
Office manager	41,000	41,000	38,502	2,498
Township hall	24,000	24,000	21,129	2,871
Public works				
Roads	55,000	66,800	39,944	26,856
Street lights	2,000	2,000	2,104	(104)
Health and sanitation				
Transfer facility	32,000	42,400	42,367	33
Community and economic development				
Zoning administrator	24,000	24,000	23,366	634
Planning commission	7,000	7,000	5,535	1,465
Zoning board of appeals	3,000	4,850	4,922	(72)
Culture and recreation				
Parks	11,000	23,000	19,475	3,525
Debt service				
Principal	-	-	1,387	(1,387)
Interest and fees	-	-	269	(269)
Contingency items	35,000	18,000	-	18,000
Capital outlay	1,500	1,500	2,501	(1,001)
Total expenditures	428,600	440,400	369,000	71,400
Excess of revenues over (under) expenditures	(11,345)	26,085	118,921	92,836
OTHER FINANCING SOURCES				
Transfers in	-	-	1,922	1,922
Net change in fund balance	\$ (11,345)	\$ 26,085	120,843	\$ 94,758
Fund balance at April 1, 2006			833,975	
Fund balance at March 31, 2007			\$ 954,818	

Hamlin Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Fire Fund  
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 75,121	\$ 75,121	\$ 75,079	\$ (42)
Investment earnings	-	-	1,277	1,277
Other	-	-	5,039	5,039
Total revenues	75,121	75,121	81,395	6,274
EXPENDITURES				
Current				
Public safety	70,000	70,000	65,463	4,537
Capital outlay	2,000	2,000	-	2,000
Total expenditures	72,000	72,000	65,463	6,537
Net change in fund balance	\$ <u>3,121</u>	\$ <u>3,121</u>	15,932	\$ <u>12,811</u>
Fund balance at April 1, 2006			<u>74,748</u>	
Fund balance at March 31, 2007			\$ <u>90,680</u>	

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

July 10, 2007

Township Board  
Hamlin Township  
Ludington, Michigan

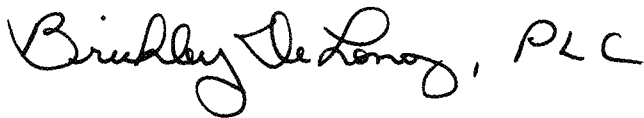
In planning and performing our audit of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hamlin Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Hamlin Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamlin Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamlin Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached a deficiency in internal control that we consider to be a significant deficiency.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.





## SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 2: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Township should continue using its current accounting system, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions and reconciliations by the Township Board and chief executive officer.

Recommendation 3: Petty cash procedures should be strengthened.

During our testing, we noted that the procedures surrounding petty cash did not include a complete reconciliation of petty cash.

Strengthening petty cash procedures would increase control and oversight of such funds and help ensure that transactions would be recorded in the general ledger system more accurately.

Recommendation 4: Cash disbursement vouchers should have appropriate supporting documentation attached.

During our review of procedures and internal controls surrounding the accounts payable function, we noted instances in which the voucher package retained by the Township in the paid invoice files did not have proper supporting documents attached.

Proper supporting documentation would reduce the possibility of incorrect payment of vendor invoices or Township funds being misappropriated.